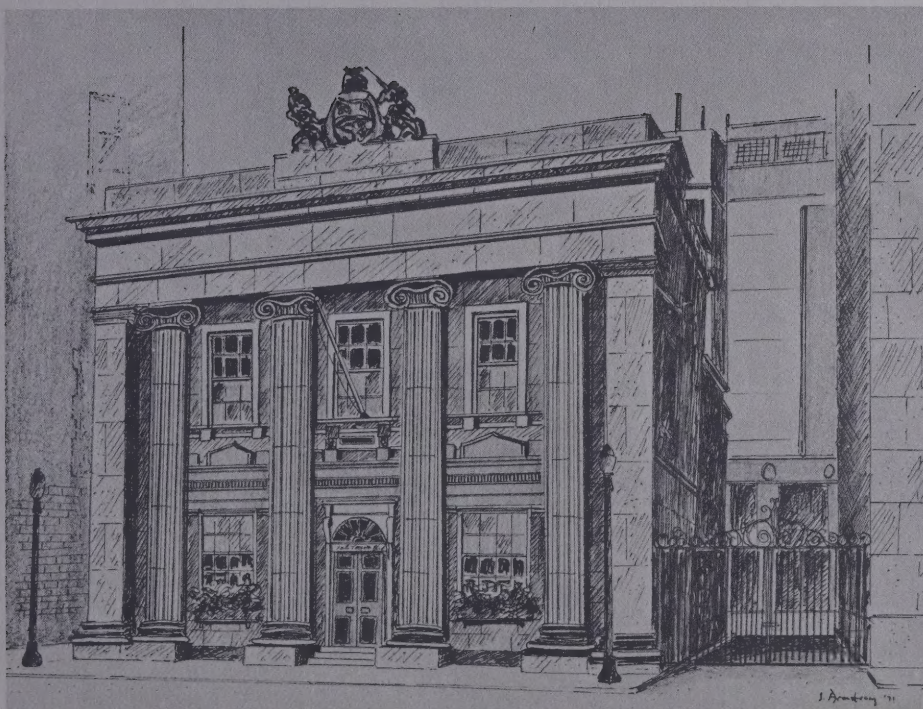


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ARGUS CORPORATION LIMITED

32nd Annual Report

NOVEMBER 30, 1977



No. 10 Toronto Street

This historic building in Toronto, Canada, constructed in 1852, was acquired by Argus Corporation Limited as its head office in 1959. The architects were Messrs. Cumberland and Storm.

Board of Directors

*ALEX E. BARRON	Toronto	*H. N. R. JACKMAN	Toronto
CONRAD M. BLACK	Toronto	*A. BRUCE MATTHEWS	Toronto
THOMAS G. BOLTON	Toronto	THOMAS G. MCCORMACK	Toronto
H. J. CARMICHAEL	Toronto	H. T. MCCURDY	Toronto
DIXON S. CHANT	Toronto	*JOHN A. MCDOUGALD	Toronto
NELSON M. DAVIS	Toronto	D. A. MCINTOSH, Q.C.	Toronto
FREDRIK S. EATON	Toronto	ALLEN A. McMARTIN	Bermuda
HARRY H. EDMISON	Toronto	*MAXWELL C. G. MEIGHEN	Toronto
*A. L. FAIRLEY, JR.	Birmingham, Alabama	A. A. THORNBROUGH.	Boca Raton, Florida
ALEX D. HAMILTON.	Montreal	TRUMBULL WARREN	Hamilton
JAMES R. WRIGHT		Toronto	

*Members of the Executive Committee

Officers

<i>Chairman of the Board and President</i>	JOHN A. MCDOUGALD
<i>Executive Vice-President</i>	A. BRUCE MATTHEWS
<i>Vice-President and Chairman of the Executive Committee</i>	MAXWELL C. G. MEIGHEN
<i>Secretary</i>	HARRY H. EDMISON
<i>Treasurer</i>	JAMES R. WRIGHT, C.A.

ARGUS CORPORATION LIMITED

10 TORONTO STREET, TORONTO, CANADA M5C 2B7

Annual Report

TO THE SHAREHOLDERS OF
ARGUS CORPORATION LIMITED

December 28, 1977.

Your directors present the balance sheet as at November 30, 1977, the statement of income and expenses and the statement of changes in the financial position for the year ended on that date. Also shown are comparative figures for the previous year.

The balance sheet shows the Corporation's investments carried at market value and provision has been made for deferred income taxes payable under the hypothetical assumption that the investments were sold at market prices prevailing on November 30, 1977, and on November 30, 1976 for the comparative statement. In our opinion, such a provision is not a definitive figure. Unrealized gain on investments is estimated at \$68,663,674 at November 30, 1977 and \$62,420,203 at November 30, 1976.

As at November 30, 1977, the net asset value of each of the Corporation's Class C shares and common shares was \$19.62, before providing for the deferred income taxes on capital gains referred to above. Such taxes, if applicable, would amount to approximately 56¢ per share. The comparable net asset value of each Class C and common share at November 30, 1976 was \$18.77 and the comparable deferred income taxes on that date were 79¢ per share.

Income from investments during the year amounted to \$11,745,158 compared to \$11,908,734 for the previous year. Expenses were \$370,444 compared to \$363,873. Net income amounted to \$11,064,914 compared to \$11,380,461 for the year ended November 30, 1976 (\$1.13 compared with \$1.16 per Class C and common share). Earned surplus amounted to \$64,472,174 at November 30, 1977.

In addition to the regular dividends on the Corporation's Class A and Class B Preference Shares, dividends totalling 80¢ per share were paid on the Class C and the common shares during the year. Such payments were within the levels permitted under the Canadian Government's Anti-Inflation Act.

Since November 30, 1976, 4,307 Class A Preference Shares \$2.50 Series and 3,850 Class A Preference Shares \$2.60 Series were purchased and cancelled.

Dominion Stores Limited paid an extra dividend of 12¢ per common share on December 15, 1977, in addition to the regular quarterly dividend of 21¢ per share.

At a recent meeting of the Board of Directors Mr. Thomas G. Bolton, President and Chief Executive Officer of Dominion Stores Limited, was elected a Director of your Corporation.

Shareholders, on request, will receive copies of the annual reports of the companies which comprise the Corporation's investments.

Submitted on behalf of the Board,

JOHN A. McDOUGALD,
Chairman and President.

A. BRUCE MATTHEWS,
Executive Vice-President.

ARGUS CORPORATION LIMITED

Balance Sheet—NOVEMBER 30, 1977

(with comparative figures at November 30, 1976)

ASSETS		1977	1976
INVESTMENTS IN COMMON SHARES:			
Securities at quoted market value (Note 1)		\$180,571,941	\$176,347,931
Cost—			
November 30, 1977—\$107,189,033			
November 30, 1976—\$107,189,033			
CASH IN BANKS		79,211	75,722
SHORT-TERM SECURITIES, at cost plus accrued interest.		14,862,874	13,918,586
CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES		522,200	509,600
OTHER ASSETS		135,252	134,809
HEAD OFFICE PREMISES, (No. 10 Toronto Street)— land, building and furnishings, at nominal value		1	1
		<u>\$196,171,479</u>	<u>\$190,986,649</u>
LIABILITIES			
DIVIDENDS PAYABLE	\$	1,692,715	\$ 1,692,715
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		25,013	26,924
INCOME AND CAPITAL TAXES PAYABLE		8,529	1,576,032
DEFERRED INCOME TAXES (Note 1)		4,719,234	6,738,695
CAPITAL AND SURPLUS:			
Capital stock (Note 2)—			
Number of shares			
Authorized	Issued		
267,643		Class A Preference—	
100,538		\$2.50 Series, cumulative	5,026,900
167,105		\$2.60 Series, cumulative	8,355,250
1,000,000		Class B Preference—	
300,000		Cumulative, 1962 Series, \$2.70 dividend	15,000,000
6,770,944	6,770,944	Class C Participating Non-Voting Preference	21,644,825
10,000,000	1,692,736	Common	5,411,206
			<u>55,438,181</u>
Contributed surplus, realized on purchase for cancellation of preference shares (including \$149,692 arising during the year ended November 30, 1977)		1,151,959	1,002,267
Earned surplus		64,472,174	61,683,782
Unrealized gain on investments		68,663,674	62,420,203
		<u>189,725,988</u>	<u>180,952,283</u>
		<u>\$196,171,479</u>	<u>\$190,986,649</u>

APPROVED BY THE BOARD:

A. BRUCE MATTHEWS, Director

MAXWELL C. G. MEIGHEN, Director

ARGUS CORPORATION LIMITED

Statement of Earned Surplus—FOR THE YEAR ENDED NOVEMBER 30, 1977 (with comparative figures for the year ended November 30, 1976)

	1977	1976
Balance at beginning of year	\$ 61,683,782	\$ 50,467,015
Net income for the year	11,064,914	11,380,461
Gain on sale of investment, less income taxes of \$1,457,728 in 1976	—	8,130,946
	<u>72,748,696</u>	<u>69,978,422</u>
Dividends:		
Class A Preference Shares \$2.50 Series	256,082	265,286
Class A Preference Shares \$2.60 Series	439,574	448,488
Class B Preference Shares 1962 Series	810,008	810,008
Class C Participating Preference Shares	5,416,686	5,416,686
Common Shares	<u>1,354,172</u>	<u>1,354,172</u>
	<u>8,276,522</u>	<u>8,294,640</u>
Balance at end of year	<u>\$ 64,472,174</u>	<u>\$ 61,683,782</u>

Statement of Unrealized Gain on Investments—FOR THE YEAR ENDED NOVEMBER 30, 1977 (with comparative figures for the year ended November 30, 1976)

	1977	1976
Balance at beginning of year	\$ 62,420,203	\$ 83,860,581
Increase (decrease) in unrealized gain on investments	4,224,010	(26,180,043)
Decrease in deferred income taxes	<u>2,019,461</u>	<u>4,739,665</u>
Balance at end of year	<u>\$ 68,663,674</u>	<u>\$ 62,420,203</u>

NOTES TO FINANCIAL STATEMENTS

November 30, 1977

1. SUMMARY OF ACCOUNTING POLICIES:

Investments in common shares—

The investments in common shares are carried in the balance sheet at quoted market value which is determined by pricing the holdings in each security at the closing quoted market prices as at November 30. Such amounts do not necessarily represent the value of entire blocks which may be more or less than that indicated by market quotations.

Provision has been made for deferred income taxes that would be payable if the investments had been realized on November 30 at the indicated quoted market value on that date.

Dividend income—

Dividend income is recognized in the statement of income and expenses on a cash received basis.

Head office premises—

Head office premises are carried at nominal value and all capital additions are charged to expense as incurred.

2. CAPITAL STOCK:

(a) The Class A and Class B preference shares have a par value of \$50 each and are issuable in series; the Class C preference shares and the common shares are without par value.

The issued Class A and Class B preference shares carry cumulative dividends and are redeemable at the option of the Corporation at \$52.50 per share and accrued dividends.

The Class C preference shares, subject to the prior rights of the Class A and Class B preference shares, participate equally with the common shares in (i) any dividends paid in any fiscal year after 30¢ per share has been paid on each Class C preference share and common share and (ii) any distribution of assets.

(b) During the year ended November 30, 1977, 4,307 Class A preference shares \$2.50 series and 3,850 Class A preference shares \$2.60 series were purchased and cancelled.

3. ANTI-INFLATION ACT:

The Corporation is subject to and is complying with dividend restrictions imposed by the Federal Government's Anti-Inflation Act.

ARGUS CORPORATION LIMITED

Statement of Income and Expenses—FOR THE YEAR ENDED NOVEMBER 30, 1977 (with comparative figures for the year ended November 30, 1976)

	1977	1976
Income:		
Dividends received	\$10,717,676	\$11,186,238
Interest earned	1,027,482	722,496
	<u>11,745,158</u>	<u>11,908,734</u>
Expenses:		
Salaries of officers and employees	101,125	112,000
Directors' fees	21,745	17,920
Transfer agents' and registrars' fees and expenses	36,872	35,301
General office and administrative expenses	210,702	198,652
	<u>370,444</u>	<u>363,873</u>
Income before income taxes	11,374,714	11,544,861
Income taxes	309,800	164,400
Net income for the year	<u>\$11,064,914</u>	<u>\$11,380,461</u>
Earnings per Class C preference and common share	<u>\$1.13</u>	<u>\$1.16</u>

Statement of Changes in Financial Position—FOR THE YEAR ENDED NOVEMBER 30, 1977 (with comparative figures for the year ended November 30, 1976)

	1977	1976
Cash in banks and short-term securities at beginning of year	\$13,994,308	\$ 3,006,435
Source of funds:		
Net income for the year	11,064,914	11,380,461
Proceeds from sale of investment, less income taxes	—	9,542,272
Increase in income and capital taxes payable	—	1,576,032
Decrease in income and capital taxes recoverable	—	7,761
	<u>\$25,059,222</u>	<u>\$25,512,961</u>
Application of funds:		
Dividends paid	\$ 8,276,522	\$ 8,294,640
Purchase for cancellation of Class A preference shares	258,158	180,426
Purchase of investments	—	3,020,737
Decrease in income and capital taxes payable	1,567,503	—
Other	14,954	22,850
	<u>10,117,137</u>	<u>11,518,653</u>
Cash in banks and short-term securities at end of year	<u>14,942,085</u>	<u>13,994,308</u>
	<u>\$25,059,222</u>	<u>\$25,512,961</u>

ARGUS CORPORATION LIMITED

Statement of Investments—AS AT NOVEMBER 30, 1977 (with comparative figures as at November 30, 1976)

Company	1977				1976	
	Class of shares	Number of shares	Percentage of outstanding shares	Indicated market value (Note 1)	Number of shares	Indicated market value (Note 1)
Dominion Stores Limited	Common	2,000,000	23.5%	\$33,000,000	2,000,000	\$26,000,000
Domtar Limited	Common	2,500,000	16.9%	38,750,000	2,500,000	38,125,000
Hollinger Mines Limited	Class A Common	1,135,000	23.1%	33,908,125	1,135,000	30,645,000
Massey-Ferguson Limited	Common	3,000,000	16.4%	48,375,000	3,000,000	60,750,000
Standard Broadcasting Corporation Limited	Common	2,687,475	47.7%	26,538,816	2,687,475	20,827,931
				<u>\$180,571,941</u>		<u>\$176,347,931</u>

AUDITORS' REPORT

To the Shareholders of

ARGUS CORPORATION LIMITED:

We have examined the balance sheet and the statement of investments of Argus Corporation Limited as at November 30, 1977 and the statements of earned surplus, unrealized gain on investments, income and expenses and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at November 30, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, December 19, 1977

PRICE WATERHOUSE & Co.
Chartered Accountants

